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CASEY (TOPS 0007)

BY BARRY SCHWEID

WASHINGTON (AP) -- THE SENATE INTELLIGENCE COMMITTEE WILL MAKE "A FAIRLY QUICK EVALUATION" OF THE FINANCIAL AFFAIRS OF WILLIAM CASEY, THE EMBATTLED DIRECTOR OF THE CENTRAL INTELLIGENCE AGENCY, A REPUBLICAN MEMBER OF THE COMMITTEE SAID SATURDAY.

"I THINK WE ARE MOVING TOWARD A RESOLUTION," SEN. RICHARD LUGAR, R-IND., SAID IN AN INTERVIEW ON THE CABLE NEWS NETWORK.

ACCUSED OF QUESTIONABLE FINANCIAL PRACTICES, CASEY IS DUE TO PROVIDE HIS REBUTTAL TO THE COMMITTEE ON MONDAY. ALTHOUGH PRESIDENT REAGAN TOLD REPORTERS LATE FRIDAY "WE STILL HAVE CONFIDENCE" IN THE CIA DIRECTOR, THE COMMITTEE CHAIRMAN, SEN. BARRY GOLDWATER, R-ARIZ., AND A NUMBER OF OTHER SENATORS HAVE CALLED FOR HIS RESIGNATION.

LUGAR SAID HE WAS CONCERNED ABOUT THE IMPACT OF THE CONTROVERSY ON THE CIA, BUT ALSO THOUGHT "THE JUSTICE IN THE SITUATION" CALLED FOR CONSIDERATION OF CASEY'S DEFENSE. "PEOPLE IN PUBLIC LIFE OUGHT NOT TO BE CARNIVOROUS, SIMPLY LEAPING TO MAKE MISCHIEF," HE SAID.

THE SENATOR SAID THE COMMITTEE WOULD FOLLOW AN ORDERLY PROCEDURE, BUT ALSO COME UP WITH "A RATHER QUICK READING" FOR REAGAN TO CONSIDER. "IT'S HIS DECISION," LUGAR SAID.

"THE SENATE CANNOT REMOVE CASEY, IT CAN OFFER SOME ADVICE," HE SAID.

LUGAR SAID THE RECOMMENDATION FROM THE COMMITTEE WOULD PROBABLY BE MADE BY TUESDAY AND CONVEYED TO THE WHITE HOUSE BY GOLDWATER OR SENATE REPUBLICAN LEADER HOWARD BAKER, WHO IS ALSO A MEMBER OF THE COMMITTEE.

ANOTHER SENATOR, DENNIS DECONCINI, D-ARIZ., SAID IN A SEPARATE INTERVIEW THAT CASEY OUGHT TO STEP DOWN, AT LEAST UNTIL HIS FINANCIAL AFFAIRS ARE CLARIFIED.

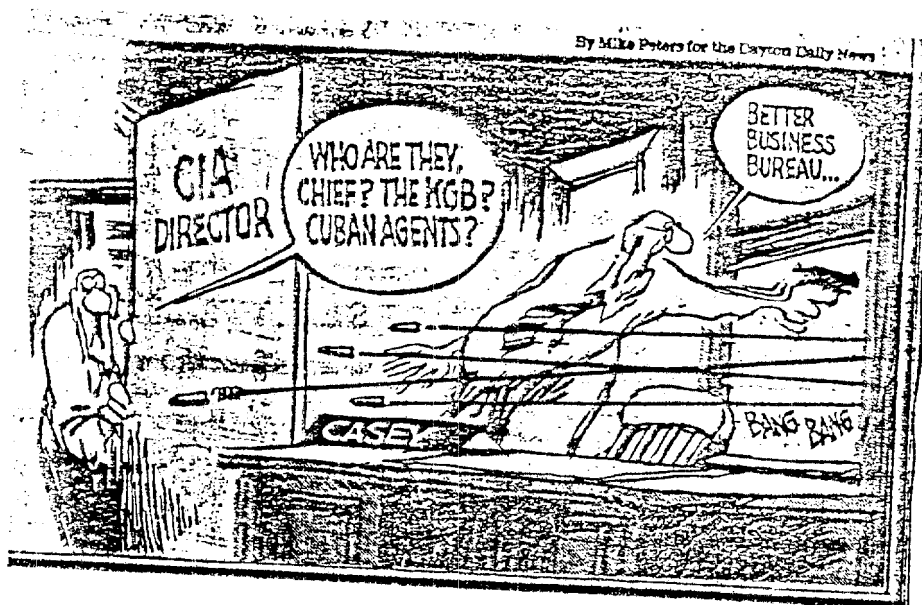
"THERE IS JUST NO WAY YOU COULD AFFORD TO HAVE THE HEAD OF THE CIA UNDER THE CLOUD MR. CASEY HAS OVER HIM," DECONCINI SAID.

WITH SEVERAL INFLUENTIAL REPUBLICANS URGING CASEY TO STEP DOWN, THE 68-YEAR-OLD CIA DIRECTOR ISSUED A STATEMENT FRIDAY VOWING TO LAY TO REST CRITICISMS OF HIS PAST BUSINESS DEALINGS AND MANAGEMENT OF THE CIA.

AT THE SAME TIME, THOUGH, THE GOP'S NO. 2 SENATE LEADER, TED STEVENS OF ALASKA, AND COMMITTEE MEMBER WILLIAM V. ROTH, R-DEL., JOINED GOLDWATER'S CALL FOR CASEY TO STEP DOWN. AND BAKER SAID HE WOULD "BACK UP GOLDWATER IN WHATEVER HE DECIDES TO DO."

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Reports by Casey Are Said to Omit Stock Holding and a \$10,000 Gift

Financial Filings at Issue

The following article is based on reporting by Jeff Gerth and Edward T. Pound and was written by Mr. Pound.

Special to The New York Times

WASHINGTON, July 26 — In Senate confirmation proceedings this year, William J. Casey, now the Director of Central Intelligence, failed to disclose stock holdings in one corporation and the receipt as a gift of a \$10,000 interest in another business venture, according to a review of public records and information provided by a close business associate.

In a personal financial disclosure statement presented to the Senate Intelligence Committee last January, Mr. Casey said that he had not received any gifts worth more than \$500 in the last five years.

Account by Business Associate

However, a longtime business associate, Carl G. Paffendorf, said in an interview this week that in November or December 1976 he gave Mr. Casey a \$10,000 interest in Penverter Partners, a limited partnership engaged in development of computer technology. Mr. Paffendorf said that Mr. Casey gave him a nominal sum of \$100, but he repeatedly characterized Mr. Casey's interest, which he said is now worth \$20,000, as a "gift."

Mr. Casey, responding to questions through a spokesman for the Central In-

telligence Agency, said he believed that he had paid "some nominal consideration" for the Penverter interest. He said he considered the transaction a purchase and not a gift, but he acknowledged that he did not know the value of the interest when he acquired it.

While he did not report his Penverter interest as a gift, Mr. Casey disclosed his holdings in the partnership in the personal financial statement on file with the Senate.

However, Mr. Casey did not disclose in that statement or in another filed with the Federal Office of Government Ethics that he held 2 percent of the stock in another Paffendorf-related business, Vanguard Ventures Inc. Mr. Paffendorf said that Mr. Casey's Vanguard stock was worth about \$20,000.

Through his spokesman, Mr. Casey acknowledged that he "still owns" Vanguard stock and that he "would not dispute" Mr. Paffendorf's estimate that he owned 2 percent of the stock. The spokesman said that Mr. Casey had no comment on why the stock holding had not been publicly reported.

The Ethics in Government Act of 1978, under which Mr. Casey filed the report with the Federal ethics agency, provides that the Government may bring a civil suit against an official "who knowingly or willfully" fails to file a report or omits required information. The court may fine an official up to \$5,000 for violating the reporting requirement. One reason such reporting is required is in order to disclose possible sources of conflicts of interest on the part of public officials.

Concern in Wake of Hugel Case

The adequacy of Mr. Casey's financial disclosures has become a concern for the Senate Intelligence Committee and the White House in the wake of the controversy over the business practices of Mr. Casey and a former top aide, Max C. Hugel. Mr. Hugel, appointed by Mr. Casey as head of clandestine operations for the intelligence agency, resigned earlier this month after two former business associates accused him of stock manipulation.

A May 19 court decision raised questions about Mr. Casey's business practices of some years ago in yet another concern, Multiplonics Inc., which was a New Orleans-based farming business. A Federal district judge in Manhattan said that Mr. Casey knowingly participated with several others in a 1968 investment offering that "omitted and misrepresented facts" to investors.

Referring to the Penverter interest, Mr. Paffendorf, who also heads COAP Systems Inc., a publicly held computerized financial planning company, said that he had made the gift as repayment for critical financial assistance that Mr. Casey had given COAP Systems over the years.

Penverter was organized in November 1976, in the same period in which Mr. Casey received the interest. Records at the Securities and Exchange Commission show that at that time the partnership reached an agreement, backdated to March 1976, under which it purchased key assets of COAP Systems.

Since that sale, Penverter has fallen behind in payments to COAP, but the Penverter partnership's value has increased substantially because of successful marketing of its assets, computer-related technology, according to S.E.C. records and statements made by Mr. Paffendorf.

Scrutinized for 4 Posts

Mr. Casey has undergone the scrutiny of the Senate for its confirmation for four Government posts in the last 10 years, having served as chairman of the Securities and Exchange Commission from 1971 to 1973, then briefly as Under Secretary of State for Economic Affairs and then as president of the Export-Import Bank. He has also been the subject of background inquiries by the Federal Bureau of Investigation. However, some aspects of his financial affairs and Government activities have never been addressed in Senate hearings or explored by the F.B.I.

For example, Mr. Paffendorf, a business associate of Mr. Casey on Long Island for two decades, said that he was not questioned by the bureau when the bureau made its background inquiry on Mr. Casey for the C.I.A. post.

Furthermore, Mr. Casey was never asked by the Senate to explain what Federal prosecutors said was contradictory testimony in connection with the Government's unsuccessful prosecution of top Nixon Administration officials on charges of trying to aid Robert L. Vesco, the American financier who is a fugitive from Federal fraud charges, in the early 1970's.

Questioned at Mitchell Trial

At the 1974 trial in New York of former Attorney General John N. Mitchell and others, Mr. Casey, a Government witness, angered prosecutors who said he had forgotten crucial events and contradicted his earlier grand jury testimony, according to court transcripts.

The contradiction involved Mr. Casey's account of a 1972 meeting with Mr. Mitchell, whom the Government

had charged with trying to impede an S.E.C. investigation of Mr. Vesco's finances in return for a large campaign contribution. Mr. Casey's chairmanship of the securities commission spanned the period that included the commission's Vesco inquiry.

In trying to establish that Mr. Mitchell was acting in Mr. Vesco's behalf, Federal prosecutors wanted to show that the former Attorney General had initiated a meeting between Mr. Casey and Mr. Mitchell. Court transcripts show that a Federal prosecutor said Mr. Casey told a grand jury in 1973 that Mr. Mitchell had asked him to to his apartment in April 1972. Then, when questioned at the trial, Mr. Casey told prosecutors that he could not remember who initiated the meeting.

But in response to questions from Mr. Mitchell's attorney, Mr. Casey said he would not dispute a statement by the attorney that Mr. Casey had initiated the meeting. One of the Federal prosecutors said in court that Mr. Casey's trial testimony was "directly contrary" to his testimony before the grand jury.

Senators' and Associates' Backing

At his various confirmation hearings, especially the one held earlier this year by the Senate Intelligence Committee, Mr. Casey's record has been widely praised by Senators and associates.

Mr. Paffendorf, for one, is an enthusiastic supporter of the Director of Central Intelligence, saying that Mr. Casey has been almost like a father to him as well as a frequent business associate.

They became associated some 20 years ago, Mr. Paffendorf said, and co-founded COAP Systems, which specializes in computerized financial planning for wealthy investors. They have also participated in numerous venture-capital investments through Penverter Partners, Vanguard Ventures and other companies.

Mr. Paffendorf, who is 48 years old, described Mr. Casey as "a super, super man" who had often helped his various companies when they needed cash.

In addition to the 1976 transaction in which Penverter Partners bought some of COAP Systems assets, Mr. Paffendorf said, Mr. Casey's involvement with COAP Systems included the following:

¶In 1971 and 1972, Mr. Casey personally advanced about \$100,000 to COAP Systems to help the struggling company stave off bankruptcy and meet its payrolls. The loans were paid back.

¶Mr. Casey put up \$50,000 of an \$800,000 loan to COAP Systems that was made by Mr. Paffendorf and others in 1978.

¶In 1979, Mr. Casey purchased COAP

Planning Inc., a key division of COAP Systems, for \$250,000. COAP Systems is currently liquidating most of its assets and is a dormant corporation, according to Mr. Paffendorf.

¶As a co-founder of COAP Systems in the early 1960's, Mr. Casey held significant stock in the company. In 1971, he held 8 percent of the stock, but his holdings had dwindled to 2 percent, or 57,000 shares, by 1979.

2 Versions of Involvement

Mr. Paffendorf's version of Mr. Casey's involvement with COAP Systems differs in several respects from reports made by Mr. Casey and by COAP Systems.

The personal loans made by Mr. Casey in 1971 and 1972 to COAP Systems, which Mr. Paffendorf said he personally discussed with Mr. Casey, came at a time when Mr. Casey was chairman of the S.E.C., which regulates COAP Systems and other publicly held companies.

At his confirmation hearings in 1973 for the post of Under Secretary of State, Mr. Casey testified that while at the S.E.C., his finances and investments were placed in a blind trust and handled by an independent trustee.

Mr. Casey has not reported any holdings in COAP Systems on his current disclosure statements, and Mr. Paffendorf said that he did not know whether Mr. Casey still held stock in the concern.

Mr. Casey did disclose on these forms an interest in COAP Planning, the asset he bought for \$250,000 in 1979. He values COAP Planning at \$55,000 to \$115,000 on the form submitted this year to the Federal ethics office.

Not Mentioned in COAP Reports

COAP Systems did about \$2 million in annual sales in the 1970's. A review of its annual reports to shareholders and the S.E.C. over the last 10 years shows no mention of Mr. Casey.

According to securities lawyers and S.E.C. officials, the failure of COAP Systems to report Mr. Casey's 1971 and 1972 loans publicly could be a violation of S.E.C. disclosure laws. Those laws require that stockholders be informed of material transactions.

Referring to the what he called the "gift" of the Penverter interest, Mr. Paffendorf said that he wanted to do Mr. Casey "a favor in consideration of the things" Mr. Casey had done for COAP Systems.

Expressing concern about how the transaction would be interpreted, Mr. Paffendorf said, "It's going to look like I paid him off," but he said that was not the case. He said that Mr. Casey had done nothing for his companies in his capacity as a Government official.